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# On the Declining Viability of Testosterone

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## On the Declining Viability of Testosterone



by Chris Pruett

The traditional wisdom in the game industry is that tech sells. The formula is simple: games are aimed primarily at teenage and adult males, who also happen to be the target market for gadgets and films in which helicopters explode. This audience, it is believed, enjoys technology for the sake of technology; they are the group that bought HDTVs before anybody else, they are the group that outfits their car with expensive stereos, and they are the group that will spend money on new, technically advanced video games.

In order to keep selling to this group, the game industry must continually improve the technology of its video games and systems. Since the late 1980s, there has been a cycle of new video game system releases, each iteration improving on the computational performance of the last. The latest round of systems includes Sony's PlayStation 3 and Microsoft's Xbox360, which are powerful computers. Guys buy this stuff, the industry believes, because they enjoy knowing that their system is powerful enough to produce entertainment unlike any other video game system prior. The promise of raw performance is one of the industry's main marketing strategies.

This mindset is something of a self-fulfilling prophecy. Because the industry believes that males interested in exploding helicopters and high-end game tech are its target audience, the industry produces games that cater to that group almost exclusively. Games like God of War, Gears of War, Halo 3, and Call of Duty 4 are all squarely aimed at this group, and they are also shining examples of technologically advanced game software. These games look better than anything else on the market, and they are aimed at a group that is particularly interested in owning the best.

But there is a problem with this formula. Firstly, by catering to a single group exclusively, the game industry has systematically excluded other audiences. Entire game genres such as Adventure and Real Time Strategy have mostly died off because they were deemed to be liabilities in a market supported exclusively by young men. In 1993, Cyan Worlds released an adventure game called *Myst*, which sold so well and to such a wide audience that its sales numbers were not matched for a decade. Yet, today there are no games like *Myst* being produced, and most game publishers would not seriously consider revisiting its format. Over time, the "tech sells" mindset has caused the intended audience for video games to become more homogeneous, even as the size of that audience has expanded.

The other problem with the game industry's formula is that technology gets more and more expensive to produce every time it improves. Since the game industry believes that it must jump on the latest tech every five to seven years, it is always on the bleeding edge and always paying bleeding-edge prices. This generation, the PlayStation 3 debuted at 599 dollars, which was a significant jump over Sony's previous offering (the PlayStation 2 sells for 149 dollars). At the same time, this new hardware demands new, more complicated software, which in turn costs much more to develop. Ten years ago, a hit game could be made for less than a million dollars. Five years ago, the average was somewhere around five million dollars. Today, development budgets are in the thirty to fifty million-dollar range. Of course, the visual fidelity of modern games is vastly improved, but that improvement comes at a significant price.

So, the video game industry has arrived here in 2008 and has discovered that it is quickly painting itself into a corner. The increased cost of game consoles has slowed consumer adoption, and since the cost of game development itself has also risen dramatically, developers are now faced with a situation in which they must spend much more money to sell their product to a much smaller group of customers. Developers are assuming a huge amount of risk, much more than has ever been necessary in the past, and as a result the market has fewer games. Even worse, because games have been aimed at such a narrow band of consumers for such a long time, there is a sameness to many of the titles currently reaching the

market; the helicopter exploding genre has a significant breadth in the game industry. There is research to suggest that only the top 10 percent of games are actually profitable.

However, not all sectors of the game industry are feeling trapped. After placing third in console sales in the previous generation, Nintendo has turned around and produced two systems, the Wii and the DS, which are both leading the market by wide margins. Nintendo's success is based on its willingness to actively reject the old guard mentality that gamers want tech; instead of making a yet-more-powerful game system, the Kyoto Company is trying to knock down the barriers that prevent non-gamers (that is, most people who are not young males) from playing games. They identified traditional game controllers as a source of intimidation for non-gamers, and so the new Nintendo systems use non-standard (and non-threatening) control systems: a motion-sensitive remote on the Wii, and a stylus on the DS. Nintendo realized that the ultra-realistic art style that so many games pursue is not particularly attractive to many consumers, and have consequently branded its game systems with cute cartoon characters. The company has also aggressively targeted non-traditional gamers by running ads in magazines and TV shows aimed at middle-aged couples. Nintendo has even tried to reduce the cost of game development by making its systems easy to program and cutting the cost of its proprietary development kits. In short, this current round of offerings from Nintendo is a calculated and dramatic attempt to break away from the traditional game market.

Interestingly, reaction to Nintendo's move within the industry is split. Most game developers are themselves men in their twenties and thirties, and many of them are having trouble coming to grips with an industry which no longer revolves around their group. Backlash at Nintendo from developers and gamers has arrived as accusations that Nintendo is "leaving the hard core fans behind," or that they have "sold out." One developer I spoke with hated the entire concept of the Wii because he's interested in making games about exploding helicopters. "But Chris," he

laments with a curl of the lip, "I don't want to make games about bowling."

It is not that the traditional game development approach is invalid; it is simply no longer capable of supporting itself on exploding helicopter games aimed at young males alone. And the growth of games into non-traditional markets is not limited to Nintendo. Developers who are not comfortable with Nintendo's approach might want to duck and cover at this point because the winds of change are a-blowin', and many of them emanate from a company that is not normally considered a force in the game industry.

Apple's iPhone has the potential to change the video game industry dramatically. The target audience for the iPhone includes gamers, but it also includes a wide and diverse group of people who comprise a much larger customer base than just people who buy games. The iPhone's technology is good enough that it can host modern games, but at the same time the device is not sold on promises of its computational power. Some analysts believe that Apple will achieve sales of up to 45 million iPhones per year [1]; compare that to the 15 million PlayStation 3s that have sold in the two years since it was released. Even the PlayStation 2, one of the best-selling game systems of all time, only shipped 140 million units over its eight year lifespan [2]. By all accounts, the iPhone is primed to eclipse every gaming system available in a very short amount of time.

But the real value to the game industry is not just Apple's quickly-expanding army of iPhone users. Games sold for the iPhone go through the iTunes store and are downloaded directly to the phone, with no physical packaging whatsoever. Apple takes a cut of each sale, but the economics are such that even a moderately successful application can be very profitable. The iPhone represents a low-cost, low-risk way to make games for a much larger audience; its revenue model is much less risky than a modern AAA videogame. The device is not the most powerful portable handheld system (that honor goes to Sony's PlayStation Portable, another system that is struggling to find a market), but the

audience for iPhone games is not likely to care about absolute visual fidelity or tech spec badges of honor.

The Apple iPhone, the Nintendo Wii, and the other similar devices (such as Google's Android platform [3]) are primed to usher in a dramatic change to the way that the game industry operates. If profitability can be achieved without the need to constantly increase the cost of game development, game companies will have a way to experiment with new customers, marketing strategies, and game designs. The old guard is powerful in the game industry, and the makeup of the industry itself serves to reinforce its rather narrow view of gamers. But cheap, mass-market devices like those peddled by Nintendo and Apple are likely to force even the most traditional game developers to consider alternatives to the status quo.

### Endnotes

[1] [http://www.appleinsider.com/articles/07/06/07/iphone\\_yearly\\_sales\\_rate\\_should\\_top\\_45\\_million\\_by\\_2009\\_says\\_firm.html](http://www.appleinsider.com/articles/07/06/07/iphone_yearly_sales_rate_should_top_45_million_by_2009_says_firm.html)

[2] [http://en.wikipedia.org/wiki/PlayStation\\_2](http://en.wikipedia.org/wiki/PlayStation_2)

[3] Full disclosure: I am a Google employee.